

**BEFORE THE.
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.**

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**U.S.-ROMANIA THIRD-COUNTRY CODE-
SHARE OPPORTUNITIES**

Applications of

**DELTA AIR LINES, INC.
UNITED AIR LINES, INC.
NORTHWEST AIRLINES, INC.
CONTINENTAL AIRLINES, INC.**

Docket OST-98-4508

OST-98-4507

OST-98-4506

OST-98-4509

CONSOLIDATED REPLY OF DELTA AIR LINES, INC.

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CONSOLIDATED REPLY OF DELTA AIR LINES, INC.

Delta Air Lines, Inc. (“Delta”) hereby files this Consolidated Reply to the Answers of United Air Lines, Inc. (“United”), Northwest Airlines, Inc. (“Northwest”) and Continental Airlines, Inc. (“Continental) in the above captioned dockets. Delta’s application ranks at the top in all significant carrier-selection factors and should be one of the three chosen for an award in this case. As all but one carrier will receive an award, the Department need only determine which proposal is weakest. By every comparison, Continental’s proposal is the weakest, offering the fewest service and competitive benefits of any applicant. Because Delta will provide more weekly roundtrip connections

to and from more U.S. gateways than any other applicant, Delta's proposal is also superior to United's and Northwest's

Delta replies to the Answers of the other applicants as follows:

A. CONTINENTAL

Continental fails to overcome the fatal defects of its proposal, which, as Delta and the other applicants have pointed out, places Continental in last place in every significant carrier-selection category -- number of U.S. gateways, number of daily Romania frequencies and number of weekly same-day roundtrip connections. As a result of the infirmities of its application, Continental is forced to ignore the Department's established criteria and instead rely on arguments extraneous to the core issue of service benefits. Because Continental's service benefits are so weak, an award to Continental would have the least significant impact on U.S.-Romania competition.

Continental cannot avoid the inescapable deficiencies of its proposal:

First, Continental would provide the fewest weekly same day roundtrip connections of any applicant, assuming the relevant bilateral provisions would permit Continental to offer any same-day roundtrip connections at all. DL-R-1(Rev). With respect to Air France, Continental offers no same-day westbound connections. Its proposal would provide only eastbound connections, and then only from two of its three gateways. Westbound, the Air France flight arrives at CDG after the last Continental/Air France flight has departed, requiring

passengers to overnight in Paris before continuing on to the United States. As discussed below, Continental may be allowed to operate the service it has proposed with Czech Airlines. However, even assuming that it could, the Czech Airlines service operates only twice a week and connects to Continental's service at only one gateway. Consumers are likely to be more confused than inconvenienced by Continental's erratic and ill-timed service schedule. At best, Continental will only provide two weekly same day roundtrip connections at one U S gateway.

Second, every other applicant in this proceeding will provide service to Romania from more U.S. gateways than Continental. Delta proposes service at nine gateways, three times as many gateways as Continental. Exhibit DL-R-4.

Third, Continental would provide the fewest number of frequencies to Romania. Continental proposes code-sharing on seven weekly Air France Paris-Bucharest flights and two weekly Czech Airlines Prague-Bucharest flights. Exhibit DL-R-5(Rev). However, as both Northwest and Delta pointed out in their Answers, the U.S.-Romania bilateral agreement may not allow Continental to offer service over two third-countries using a single limited-entry designation.' If Continental is permitted to code-share on both the Air France

¹ See Answer of Northwest at 2 and Answer of Delta at 5-6. If the U.S.-Romania bilateral were to permit code-share service over more than one **third**-country, Delta will also provide service over Vienna on Austrian Airlines, in addition to the service over Zurich. This would allow Delta to offer an additional daily flight to Bucharest, bringing Delta's total to 21 weekly Romania

and CSA flights, Delta would offer 55% more frequencies with Swissair alone, (or 130% more frequencies counting Delta's additional flights with Austrian Airlines).' Given Continental's fewer frequencies, it is not surprising that Continental will offer only 69% of the seats that Delta's would provide.³

Continental's proposal fails to maximize use of the valuable opportunity available in this proceeding. By every measure, Continental proposal ranks dead last. The weaknesses of Continental's proposal will render it incapable of mounting a viable competitive challenge to Tarom or either of the other two U S carriers designated in this proceeding.

B. UNITED

Delta's proposal is superior to United's proposal because United fails to provide the important daily roundtrip service benefits that Delta would provide.

United trumpets the fact it offers service at more U.S. gateways than Delta,

frequencies, more than any other applicant in this proceeding and more than twice as many as Continental.

² Swissair recently revised its schedule for the 1999 summer season, increasing the second Bucharest service from six to seven days per week. Thus Delta will provide 14 frequencies, and, concomitantly, 75 weekly same day roundtrip connections, more than any other applicant. Delta is concurrently filing revised exhibits to reflect this change in Swissair's schedule.

³ This assumes that Continental/Air France and Continental/CSA services use 159/120 seat aircraft and Delta/Swissair use 145/116 seat aircraft. The Delta seat total does not include the additional daily flight Delta would provide in conjunction with Austrian Airlines via Vienna if two-third countries can be served with one designation.

eleven to Delta's nine. But only about a quarter of United's eleven gateways receive daily same day roundtrip connections to Romania. In fact, United's own Exhibits UA-1 and -2 demonstrate that only three of the eleven gateways will receive daily roundtrip connections. In contrast, Delta will provide daily same day roundtrip connecting service at eight of its gateways. Exhibit DL-R-1(Rev).

Moreover, most of United's gateways -- eight out of eleven -- will receive same day roundtrip connections three days or less per week. Passengers utilizing those eight gateways -- which includes United's Chicago hub -- will require an overnight stay in Germany most days of the week. Delta's pattern of daily same day roundtrip service offers far greater service and competitive benefits to passengers and shippers than United's irregular service schedule.

Munich is simply a red herring as it adds little to United's proposal. As United's own exhibits UA-1 and -2 (and Northwest's NW-1) demonstrate, the westbound Lufthansa Bucharest-Munich service is poorly timed, and makes no same day connections to any of United's U.S.-bound flights. Thus, the fact that United plans service over a second German gateway provides no real benefits because Munich does not provide roundtrip connections to any of United's gateways.

C. NORTHWEST

Delta's proposal also has greater merit than Northwest's. Although Northwest's proposal emphasizes the number of gateways it plans to serve, like

United, few of Northwest's gateways will receive roundtrip connecting service. As Exhibit NW-1 demonstrates, gateways, two of Northwest's 14 gateways -- a mere 14% -- will receive more than thrice weekly same day roundtrip connections to **Bucharest**.⁴ Only one gateway -- New York (JFK), which is not a Northwest hub -- will receive daily same day roundtrip connecting service. Thus, for 13 of Northwest's gateways, roundtrip connections will be available only three days per week. Delta, in contrast, will provide daily same day roundtrip connections at eight U.S. gateways.'

Moreover, Northwest's hubs at Detroit and Minneapolis would receive same day roundtrip service only three days per week, significantly diminishing the effectiveness of these hubs for online service to interior-U.S. points. By contrast, Delta's two largest hubs (Atlanta and Cincinnati) will receive daily roundtrip connections, thereby maximizing online network benefits,

Finally, Delta will offer more weekly frequencies than Northwest. Responding on bilateral consideration, Delta would offer 21 or 14 frequencies to Northwest's 10. Northwest will provide the second lowest number of frequencies to Bucharest. Delta's partner, Swissair, will provide twice daily service to Bucharest from Zurich. This double daily service provides Delta's

⁴ Delta's use of the April 1999 schedule shows a third gateway (MSP) receives more than three weekly same day roundtrips.

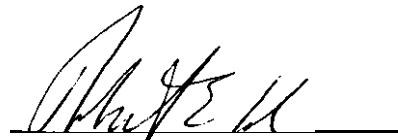
⁵ The ninth Delta gateway (SFO) will receive same day roundtrip connecting service five times a week.

passengers the opportunity to arrive in Zurich in the morning, conduct business and travel on to Bucharest in the evening.⁶

In conclusion, Delta has submitted the strongest service proposal which will maximize online service and competitive opportunities to a greater degree than each of the other applicants. Based on the record in this case, Delta should be awarded one of the three designations.

WHEREFORE, for all the foregoing reasons, Delta urges the Department to grant Delta's application for a designation to enable Delta to provide third-country code-share service between the United States and Romania.

Respectfully submitted,



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⁶ Northwest apparently used a November 1998 schedule while Delta calculated service using April 1999 schedules (when service would be effective). Thus, even though Northwest was simply calculating one-way connections in NW- 1, Northwest did not include all the service Delta actually would be offering when this opportunity becomes effective.

CERTIFICATE OF SERVICE

I hereby certify that on this 15th day of October, 1998, I have served a copy of the foregoing Reply, by first class mail on the following persons:

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